

=====

H I P A A l e r t: Special Edition - Monday, November 4, 2002

>> From Phoenix Health Systems--HIPAA Knowledge--HIPAA Solutions <<  
=> Healthcare IT Consulting & Outsourcing <=

=====

\*\*\* HIMSS / Phoenix Health Systems US Healthcare Industry  
Quarterly HIPAA Survey Results: Fall 2002 \*\*\*

-----

## EXECUTIVE OVERVIEW

As our Fall Survey polling period closed in mid-October, healthcare organizations impacted by HIPAA regulations were just six months away from two important deadlines: the Privacy compliance deadline and the deadline to begin transactions testing. Despite earlier hopes of many covered entities, progress toward these deadlines has been slow, reportedly still hampered by regulatory interpretation difficulties, cost issues and poor communications between trading partners. Some significant trends noted in the Fall Survey include:

- \* HIPAA support from senior officers, initially difficult to achieve, remains generally strong.
  - \* The healthcare industry is moving slowly towards achieving compliance. Survey results showed little progress since the Summer 2002 Survey conducted in early July, with fewer than 50% of respondents having completed their gap assessments. Worse, only 5% of providers and payers had actually completed Privacy and Transactions remediation.
  - \* Major roadblocks to HIPAA compliance include "interpretation of the regulations" and "not enough time." Cost concerns, issues of state preemption and a lack of industry "best practices" are increasingly being cited.
  - \* Over 80% of all respondents applied for the Transactions deadline extension from October 2002 to October 2003.
  - \* Covered entities are focusing mainly on Privacy and Transactions compliance; Security initiatives are moving more slowly, despite Privacy Rule mandates for strong security measures to protect confidentiality.
  - \* Across the industry, HIPAA budgets are generally higher for 2003 than for 2002.
- 

## THE SURVEY

Phoenix Health Systems and HIMSS conducted the Fall 2002 US Healthcare Industry

Quarterly HIPAA Compliance Survey early in October. Following email appeals to HIMSS' 12,000+ members and to Phoenix' 19,000+ HIPAAAlert newsletter subscribers, a record total of 965 healthcare industry representatives responded, an increase of 40% over last quarter's response. The online survey was completed anonymously via Phoenix' web site, HIPAAAdvisory.com.

---

## The Organizations

Respondents from provider organizations accounted for 68% (655) of participants. The breakout of participants follows:

- \* Providers - 68%
  - Hospitals of 400+ beds: 16%
  - Hospitals of 100-400 beds: 21%
  - Hospitals of less than 100 beds: 12%
  - Medium-sized physician practices (11 to 29 physicians)/ other providers: 6%
  - Small physician practices (10 or fewer physicians)/ other providers: 12%
- \* Payers - 17%
- \* Clearinghouses - 3%
- \* Vendors - 12%

---

## Within the Organizations

A total of 87% of all respondents have an "official" role within their organization for HIPAA compliance. The majority of respondents hold management or executive level positions, including 17% at Senior Management level, and another 11% who function as the Chief Information Officer. The largest group of respondents (28%) works specifically in the compliance/security arena. Executive support for HIPAA compliance efforts remains generally high with about 60% of respondents reporting that their senior management is providing moderately strong to strong support.

---

## THE BIG QUESTION...

**\*\* Has your organization completed HIPAA Transactions and Code Sets(TCS) remediation AND Privacy remediation? \*\***

The great majority of respondents answered "No." More specifically, 95% of providers and payers reported they had not completed these efforts; 5% have. Vendors appeared to be much farther along, with 38% reporting that they had completed Transactions remediation and 19% Privacy remediation. 13% of clearinghouse respondents reported that their Transactions remediation was complete, though only 6% had finished Privacy implementations.

## THE BIG HURDLES...

Participants who reported that they had completed Transactions and Code Sets and Privacy remediation identified "understanding/interpreting the legal requirements" (101 of 162 respondents) as the most difficult aspect of the HIPAA remediation process. However, "resolving issues with third parties" was a very close second. Survey participants called for increased cooperation among all industry sectors. The following is a sampling of comments:

---

### Medium-sized Physician Practice

\* "We feel we are on track with those elements of compliance which are within our control. Full compliance in those areas will occur within the month. Too many parameters (software, clearinghouse) are not within our control...communication has been poor to non-existent."

\* "Our clearinghouse is ready but very few of the payers have even begun testing with them."

---

### Vendor

\* "I've noticed that our clients are FINALLY waking up to the reality of HIPAA and are purchasing software and planning on testing. Most will barely make the cutoff."

---

### Clearinghouse

\* "[We are] actively sending HIPAA compliant transactions to several payers. However, many payers have filed extensions and are not even ready to begin the testing process. This has been the hold-up in our HIPAA compliance efforts."

---

Provider representatives, most of whom had not completed remediation efforts, rank-ordered several factors as impediments to HIPAA compliance. "Interpretation of the regulations" and "not enough time" were ranked first as the biggest roadblocks, followed by "budget constraints" (the same three major impediments reported in recent past surveys). Written comments by respondents brought focus to other areas of difficulty – state law pre-emption and a general dearth of "best practices" guidance.

\* "Interpretation is a key issue...but...not the biggest roadblock. If we, as a struggling hospital, were able to get external, full-time, knowledgeable and proven assistance (i.e., expensive assistance) with compliance efforts, all of us would feel better about the regs. Therefore, budget constraints (because it keeps us from bringing in external help) and time (juggling numerous duties along with HIPAA) are the biggest problems...."

\* "Privacy regulations are much more difficult to understand and interpret.... We should as an industry be able to come together and share and leverage what we have learned. 'Benchmarks Best Practices' is a warranted industry need."

\* "There are very few 'experts' available to help decipher the new regulations and very few documented 'best practices' to aid in deciding how to address certain situations."

\* "The people working on the HIPAA team already wear so many different hats in the organization that it's hard to commit 'enough time' to work on the project."

\* "Pre-emption analysis is also trying -- state rules and 42 CFR affect how HIPAA impacts us."

---

## IMPACT OF PROPOSED PRIVACY RULE MODIFICATIONS

As of August 14, 2002, the Department of Health and Human Services finalized modifications to the Privacy Rule. Respondents were asked how integrating the modifications into ongoing compliance efforts would affect overall progress. Over half (57%) of both provider respondents and total respondents said that the proposed Privacy Rule modifications will have no effect on their compliance progress. A smaller percentage (38%) indicated that their progress would slow, while only 4% predicted that they would now miss the deadline for privacy compliance.

---

## IMPACT OF TRANSACTIONS EXTENSION

By the close of the survey period (October 14) 80% of respondents indicated that they had applied for the Transactions compliance deadline extension offered in the Administrative Simplification Compliance Act, up from 27% in Summer 2002. Another 10% noted that they expected to apply before the application deadline of October 15. Only 4% of respondents indicated that they would be in compliance by the original October 2002 compliance deadline.

---

### Which Transactions Version?

Reports for both Fall and Summer 2002 indicated that over 60% of respondents are implementing the HIPAA transactions published in May 2000, as opposed to those published in the recent Transactions NPRM. However, it should be noted that many respondents, 35% of 965, do not know which transactions they will implement.

---

## FOCUS OF ENTERPRISE HIPAA EFFORTS

---

### Compliance Approach

Readers will welcome the news that, among payers, the implementation trend may be gradually shifting from working alone (44%, down from 50% in Summer 2002) to coordinating more directly with providers (41%, up from 37% in Summer 2002).

Providers agree that there is more interaction with payers, although only 31% of providers reported that their payers were either moderately or very forthcoming in providing information. Providers appear more satisfied with vendor communications related to HIPAA; nearly 60% reported that their vendors are moderately or very communicative.

More payers (57%) are focusing on remediation of existing software rather than on the development of new software (35%), with some working on both. The number of respondents planning to use the clearinghouse option to provide front-end remediation has increased from 27% to 32%.

Most clearinghouse participants are focusing first on internal software remediation, then on internal new software development.

---

#### Current Compliance Activity by Phase

OVERALL HIPAA AWARENESS -- Across all industry segments, HIPAA awareness and education continue to be a primary focus of ongoing compliance activity in all major compliance areas. Among all industry segments, organizations reportedly are involved in HIPAA awareness and education activities as follows: Transactions – 58%, Security - 68%, Privacy - 67% and Unique Identifiers - 60%.

TRANSACTIONS AND CODE SETS -- Compliance activities focusing on Transactions and Code Sets generally have moved beyond assessment into project planning and implementation phases. With some overlap, 57% of respondents are doing project planning and 52% (up from 48% in Summer 2002) are in the implementation phase. By industry segment: 46% of providers, 55% of vendors, 68% of payers, and 77% of clearinghouses are engaged in transactions implementation initiatives.

PRIVACY -- Respondent organizations are focused most on Privacy initiatives. Results reflect a gradual move past the assessment phase, as evidenced by the increase in organizations focusing on project planning – 66% (up from 62% in Summer 2002) and implementation – 64% of all participants (up from 53%). Privacy accounts for most of training activity – 47% (up from 37%).

SECURITY -- Over 60% of respondents reported that they are engaged in Security assessment activities. Activity is gradually increasing in the Security implementation phase (33%, up from 30% in the Summer 2002 Survey, and 24% in the Spring 2002 Survey).

UNIQUE IDENTIFIERS -- Nearly 65% of participants are focused on general awareness, with 36% engaged in assessments, and only 8% working on actual implementation of standard identifiers.

---

#### INDUSTRY HIPAA COMPLIANCE PROGRESS

The survey questioned providers, payers, clearinghouses and vendors about their organizations' real-time progress in HIPAA remediation, and when they would be ready

to use HIPAA transactions.

Across the industry, less than 50% of respondents had completed gap assessments by early October, indicating slow progress in the last three months. About 40% had finished assessments as of our Summer 2002 Survey, and another 30% of our Summer respondents planned to be finished by now, but most had not done so. Again, another 30% plan to complete assessments within three months.

Payers and clearinghouses have made the most progress on gap assessments, with over 60% having completed them. About 45% of providers have finished assessments; however, hospitals in all groups, except those with less than 100 beds, have made significantly more progress (about 59% have completed assessments) than smaller providers (only 34% of hospitals with less than 100 beds, and even fewer smaller provider organizations have finished assessments).

When asked about plans to finalize a HIPAA remediation implementation plan, the majority of respondents said that their plans would be finished within six months, again not unlike the expectations reported in our Spring and Summer 2002 Survey reports. So, while numbers for completion increase gradually, progress has been much slower than participants had anticipated.

Only 5% of payers and providers reportedly have completed transactions/code sets remediation: Most respondents plan to complete efforts within one year, with nearly all estimating completion by the transactions deadline in 2003. However, 35% of providers and 26% of payers do not plan to complete their transactions remediation tasks by April 2002, and so, presumably will not meet HHS' deadline for beginning transactions testing.

Relatively little progress has been made in Privacy remediation implementation since July, though most respondents still predict that they will complete remediation by the April 2003 compliance deadline (consistent with our Spring and Summer 2002 Survey reports). However, concrete evidence of compliance is slim: only 5% of providers and 4% of payers have thus far completed their Privacy implementations. Further, less than 20% of providers and payers expect to finish in the next three months, bringing most essentially "down to the wire" in meeting the April 2003 Privacy deadline.

Respondents indicated that Security remediation efforts are progressing slowly; most don't predict completion for a year or more. The majority of organizations reportedly are still involved in the Security gap/risk analysis phase; vendors have made the most progress with about 45% reporting that implementation efforts are underway.

---

#### Provider Perceptions of Trading Partner Readiness

Based on their communications (or lack thereof) with payers, vendors and clearinghouses, many providers were skeptical that their trading partners would be ready to transmit HIPAA transactions by required deadlines. Most provider participants (74%) predicted that their clearinghouses would be ready, but 80% predicted that many, if not most, of their payers would NOT be able to meet the Transactions Rule deadlines; over 60% had the same concerns about vendor readiness.

---

## USE OF OUTSIDE CONSULTANTS

Survey results for Fall 2002 showed that fewer respondents across the industry are currently using outside consultants to support HIPAA initiatives (43%) than during July (about 50%). The biggest users of consultants are larger hospitals (53%) and payers (60%). Respondents indicated that consulting support is being used primarily for assessment and project planning.

---

### Third-Party Transaction Compliance Testing

About 25% of participants indicated that their organizations plan to use third party certification of their transactions capabilities, and about 20% will recommend that trading partners certify with a third party prior to sending transactions. Fewer (mostly smaller providers) indicated that they plan to perform their own testing with trading partners without using a third-party certification service. Few plan to "require" trading partners to certify through a third party. With just six months left before the testing deadline, over 40% of respondents either did not know or had not planned their testing strategies.

---

## HIPAA BUDGET HIGHLIGHTS

Hospital budgets for HIPAA compliance in 2003 are generally higher than 2002 HIPAA budgets.

40% of hospitals with less than 100 beds will spend less than \$30K in 2003, just over 20% will spend between \$30K and \$50K, about 30% between \$50K and \$100K, and 7% between \$100K and \$250K.

25% of hospitals with 100 to 400 beds will spend less than \$50K, 28% between \$50K and \$100K, 28% between \$100K and \$250K, 11% between 500K and \$1 million, and 2% over \$1 million.

For hospitals with 400+ beds, 8% have budgeted between \$30K and \$50K, 13% between \$50K and \$100K, 25% between \$100K and \$250K, 20% between \$250K and \$500K, 20% between \$500K and \$1 million, 4% between \$1 million and \$2 million, and 8% \$2 million+.

Payer and vendor budgets for 2003 are also slightly higher than 2002 budgets. A graphical comparison of hospital, payer and vendor HIPAA budgets, by year, is available in the full version of this report on HIPAAAdvisory.com:

<http://www.hipaadvisory.com/action/surveynew/fall2002.htm>.

---

## THE BIG PAYOFF?

For the first time, we asked participants to focus on the "benefits" of HIPAA compliance.

56% of respondents reported that their organizations' strategic goals include realizing benefits from their HIPAA efforts, though 44% have not, as yet, focused on achieving HIPAA benefits. Participants identified prevention of future privacy/security breaches as the number one hoped-for benefit (78%), followed by increasing patient confidence through better privacy/security (67%). Providing a reminder of an original intent of HIPAA administrative simplification, the goal of saving time, effort and money through transactions standardization was identified by 62% of respondents, who indicated less optimism about the beneficial impact of implementing security and privacy measures (30%).

-----  
\* View the full results, including supporting graphics, on HIPAAAdvisory.com:  
<http://www.hipaadvisory.com/action/surveynew/fall2002.htm>

\*\* Review and compare results of the surveys conducted in previous quarters of 2000, 2001, and 2002:  
<http://www.hipaadvisory.com/action/surveynew/results.htm>

=====

HIPAAAlert Special Editions are published when appropriate, to provide timely reports of significant HIPAA developments. For more news and related information, visit  
<http://www.HIPAAAdvisory.com!>

-----  
Our Other HIPAA resources:

HIPAAAdvisory web site: <http://www.hipaadvisory.com>  
HIPAAnotes Weekly Byte of HIPAA: <http://www.hipaanotes.com>  
HIPAAlive Discussion List: <http://www.hipaalive.com>  
HIPAAlive-Premium: <http://www.hipaadvisory.com/live/prem.htm>  
HIPAAlive Doc Site: <http://www.hipaadvisory.com/MembersOnlySignup/>  
\* Join HIPAAlive-Premium & get a FREE Doc Site Membership! \*

-----  
COMMENTS? Email us at [info@phoenixhealth.com](mailto:info@phoenixhealth.com)  
SUBSCRIBE? Visit <http://www.hipaalert.com>  
ARCHIVES: <http://www.hipaadvisory.com/alert/archives.htm>

=====

Copyright 2002, Phoenix Health Systems, Inc. All Rights Reserved.  
Reprint by permission only. <http://www.phoenixhealth.com> 301-869-7300

=====

You are currently subscribed to hipaalert as: [kmckinst@dmhhq.state.ca.us](mailto:kmckinst@dmhhq.state.ca.us)

To unsubscribe, send an email to: [leave-hipaalert-8507990O@lists.hipaalert.com](mailto:leave-hipaalert-8507990O@lists.hipaalert.com)